(c) whether the State Government are willing to pump in 15 per cent of the amount in line with their shareholdings; and

(d) if so, to what extent it will help in improving the ailing rural banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The Budget Proposals for the year 2007-08 include the proposal to recapitalize, in a phased programme, the Regional Rural Banks (RRBs) which have a negative networth.

(b) RRBs are jointly held by Central Government/State Governments/Sponsor Banks in the proportion of 50; 15:35 respectively. The concurrence of the State Governments concerned and Sponsor Banks for contribution of their respective shares for re-capitalization is required.

. (c) The matter has been taken up with the State Governments concerned for seeking their concurrence. The State Governments of Assam and Jharkhand have agreed to contribute their share of re-capitalization.

(d) The recapitalization will strengthen the RRBs fmancially. The infused capital would help RRBs to expand their business and become fmancially stronger.

Detection of terror financing/money laundering activities

231. SHRI VIJAY J. DARDA:
SHRIMATI SHOBHANA BHARTIA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have decided to put in place a financial intelligence network to detect terror financing and money laundering activities and provide a common technology platform for banks, brokers in the securities market and mutual funds to find out 'suspicious' transactions and report them to the Financial Intelligence Unit (FlU) in India;

(b) whether FIU was set up in 2004 for receiving, processing, analyzing and disseminating information on suspect financial transaction and has forwarded 500 suspicious transactions to Government; and

(c) by when a final decision for detecting terror-funding will be finalized?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The Government has set up a Financial Integlligence Unit, India, (FIU-IND), with a view to co-ordinate and strengthen collection and sharing of financial intelligence to combat money laundering and related crimes. FlU-fND has initiated a project called Project FINnet — Financial Intelligence Network — with the objective to adopt industry best practices and appropriate technology to collect, analyze and disseminate valuable financial information for combating money laundering and related crimes. The said project will provide a platform to reporting entities to send reports under the Prevention of Money Laundering Act, 2002 (PMLA) through secure getcway. However, the project is not intended to help reporting entities to find out suspicious transactions.

(b) FIU-IND was set up by the Government *vide* O.M. dated 19.11.2004 for receiving, processing, analyzing and disseminating information relation to suspect financial transactions to Intelligence and Law Enforcement Agencies. It has disseminated information in 877 cases to various intelligence and law enforcement agencies till 31.10.2007.

(c) The Rules framed under PMLA were amended on 24th May, 2007, to provide that a transaction which gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism, will also be a "suspicious transaction" and the banking

Companies, financial institutions and intermediaries w11 report such suspicious transactions to the FIU-IND.

Darjeeling as a tax-free area

†232. SHRI SAMAN PATHAK: Will the Minister of FINANCE be pleased to

state:

(a) the details of tax-free areas in the country. State-wise;

(b) whether Government are considering to declare Darjeeling as a "tax-free area" for a short period; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (S H R I S.S. PALANIMANICKAM): (a) The Income-tax Act provides tax holidays and concessions to industrial undertakings set up in the State of Jammu and Kashmir, Uttaranchal. Himachal Pradesh. Sikkim and the North-eastern States. Similarly, exemption from Central Excise duty is also available in all these States and the Kutch district of Gujarat. However, these exemptions are subject to certain conditions.

(b) No Sir.

(c) Area based tax exemptions are inefficient, iniquitous, lead to revenue loss and breed corruption. Such tax exemptions are poor substitutes for fundamental reforms. Therefore. Government is not in favour of proliferating such area based tax exemptions

Continuing rise in inflation

†233. SHRl KESHUBAI S. PATEL: Will the Minister of FINANCE be plea.sed to

slate

(a) whether it is a fact that inflation continue to rise in the country

(b) whether Government are contemplating stringent measures to curb,it;

(c) if so, by what time and, until when; and

(d) if not, reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) No, Sir The inflation has decelerated during the current financial year. the details of monthly inflation is indicated in the Table 1.

Table 1. WP I based Month wise annual inflation (%)

Month	2007-08
Apr.	6.28
May.	5.46
Jun.	4.53
Jul.	4.71
Aug.	4.14
Sep.	3.32
Oct,	3.02

† Original notice of the question was received in Hindi.